Board

Date: **3 February 2016**

Item: **New Routemasters**

This paper will be considered in private

Subject to the decision of the Board, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL.

1 Summary

1.1 This paper contains supplementary information to the New Routemasters (NRMs) paper being considered on Part 1 of the agenda.

1.2 On 21 January 2016, the Finance and Policy Committee considered a similar paper, which recommended the purchase of 30 NRMs. The Committee requested an option for the purchase of a further 165 NRMs to also be considered by the Board. This has been addressed in the recommendations in the paper on Part 1 of the agenda and further information on that option will be provided prior to the meeting as analysis is ongoing.

2 Financial Implications

ST-PJ366	**195 New Routemasters**				
	Existing Financial Authority	EFC	Existing Project Authority	Additional Authority Requested	Total Project Authority
Project	£290.8m	£354.2m	£290.8m	£63.4m	£354.2m
Operation	£13.3m	£24.7m	n/a	n/a	n/a
Total	£304.1m	£378.8m			

2.1 The additional Project Authority requested is £63.4m of unbudgeted expenditure for up to 195 buses. This in an increase to the current project scope, increasing total Project Authority to £354.2m. If approval is given for 30 buses, the additional Project Authority requested is £9.8m of unbudgeted expenditure for the buses, increasing total Project Authority to £300.6m.

2.2 Financial and Procurement Authority of a further £11.4m is also requested for iBus screens, ticket readers, additional operator costs (including CCTV and telematics and fuelling equipment), early termination of existing vehicle leases and provision for a mid-life refurbishment making a total of £74.7m for up to 195 buses. This takes the total Financial Authority from £304m to £378.8m. If approval is given for 30 buses, the additional Financial and Procurement Authority requested for these items is £1.7m, taking the total Financial Authority from £304m to £315.6m.

2.3 TfL officers have secured an improved unit cost from Wrightbus together with improvements in the vehicle specification. Vehicle specifications for the additional NRMs will be the same as the additional 200 agreed in November 2014, with the addition of opening windows on both decks. Even though a reduced unit price has been offered negotiations are still ongoing with regard to this and other aspects of the requirements.

2.4 By placing an order now, TfL will secure the headline price of no more than £325k per vehicle, which represents a discount compared to the £349.5k per vehicle for buses 605-805. This price will only be available if a continuous production line can be maintained. As part of the commercial agreement, a discount on spare parts and resolution of other outstanding issues is also currently being explored.

2.5 The current 2014 TfL Business Plan has no funding for further purchases, beyond the 805 currently committed.

Costs and Funding	Current authority	2016/17	17/18-31/32	Total 16/17-21/22	Total 16/17-31/32	EFC
Capital cost purchase of NRMs (£325k per bus)		(63.4)	0.0	(63.4)	(63.4)	
Project Authority	(290.8)	(63.4)	0.0	(63.4)	(63.4)	(354.2)
Ticketing and iBus equipment	(5.7)	(2.6)	0.0	(2.6)	(2.6)	(8.3)
Operator additional costs (£7k per bus)	n/a	(1.4)	0.0	(1.4)	(1.4)	(1.4)
Cascade write-off costs (average £20k per bus)	(2.0)	(3.9)	0.0	(3.9)	(3.9)	(5.9)
Mid life refurbishment costs (£18k per bus)	(5.6)	0.0	(3.5)	0.0	(3.5)	(9.1)
Total Procurement and Financial Authority (inc Project	(304.1)	(7.8)	(3.5)	(71.2)	(74.7)	(378.8)
Battery renewal (£26k per bus, every 3 years)	n/a	0.0	(20.3)	(5.1)	(20.3)	n/a
Other vehicle running costs (£8k per bus pa)	n/a	0.0	(27.7)	(7.5)	(27.7)	n/a
Ownership savings (£32k per bus pa) - 1st term	n/a	0.0	41.3	30.2	41.3	n/a
Ownership savings (£15k per bus pa) - remaining life	n/a	0.0	32.6	0.0	32.6	n/a
Hybrids premium savings (£5k-10.4k p.a. per bus)	n/a	0.0	13.2	10.8	13.2	n/a
Net Savings to Bus oprtating Contracts	n/a	0.0	39.2	28.4	39.2	n/a
Estimated Final Cost	n/a	(71.2)	35.6	(42.8)	(35.6)	n/a

Table 1: cost breakdown for 195 additional New Routemasters

List of appendices to this paper:

Appendix 1: Detailed breakdown of costs and phasing

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Appendix 1

Appendix 1 - Detailed breakdown of costs and phasing

195 Additional NRM costs (incl inflation)	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	Total to 31/32	Total to 21/22
Purchase (£325k per bus)	(63.4)																**(63.4)**	**(63.4)**
Project Authority	**(63.4)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(63.4)**	**(63.4)**
Ticketing and iBus equipment	(2.6)																**(2.6)**	**(2.6)**
Operator additional costs (£7k per bus)	(1.4)																**(1.4)**	**(1.4)**
Cascade write-off costs (average £20k per bus)	(3.9)																**(3.9)**	**(3.9)**
Mid life refurbishment costs (£18k per bus)								(3.5)									**(3.5)**	**0.0**
Total Procurement and Financial Authority	**(7.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(3.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(11.3)**	**(7.8)**
Battery renewal (£26k per bus, every 3 years)				(5.1)			(5.1)			(5.1)			(5.1)				**(20.3)**	**(5.1)**
Other vehicle running costs (£8k per bus pa)		(0.8)	(1.6)	(1.7)	(1.7)	(1.8)	(1.8)	(1.9)	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)	(2.4)	(1.2)	**(27.7)**	**(7.5)**
Ownership savings (£32k per bus pa) - 1st term		3.1	6.4	6.7	6.9	7.1	7.3	3.8									**41.3**	**30.2**
Ownership savings (£15k per bus pa) - remaining life								1.8	3.7	3.8	3.9	4.1	4.2	4.3	4.5	2.3	**32.6**	**0.0**
Hybrids premium savings (£5k-10.4k p.a. per bus)		2.0	2.1	2.2	2.2	2.3	2.4	0.0									**13.2**	**10.8**
Net Savings to Bus oprtating Contracts	**0.0**	**4.4**	**6.9**	**2.1**	**7.4**	**7.6**	**2.8**	**3.7**	**1.7**	**(3.3)**	**1.8**	**1.9**	**(3.1)**	**2.0**	**2.1**	**1.1**	**39.2**	**28.4**
Estimated Final Costs	**(71.2)**	**4.4**	**6.9**	**2.1**	**7.4**	**7.6**	**2.8**	**0.2**	**1.7**	**(3.3)**	**1.8**	**1.9**	**(3.1)**	**2.0**	**2.1**	**1.1**	**(35.6)**	**(42.8)**

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